

AR09

Traders Group Limited

ANNUAL  
REPORT





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CORPORATE STRUCTURE

Traders Group Limited (the “Corporation”) is a holding company which, through its subsidiaries, offers extensive financial services. For management and operational purposes the Corporation is organized into two main groups.

Trustco Group

Guaranty Trustco Limited is a holding company with major interests in trust, real estate and personal finance loan businesses.

Guaranty Trust Company of Canada, Canada’s fifth largest trust company, provides a full range of consumer and corporate financial services. Guaranty Trust celebrated its 60th Anniversary in 1986.

Guaranty Properties Limited is a real estate company engaged in the development of land and income producing properties.

Guaranty Realty Investments Limited offers investors participation in institutional quality real estate through various investment funds.

Guaranty Trust Company of Canada (U.K.) Limited provides stock brokerage, stock transfer and underwriting services in the European market.

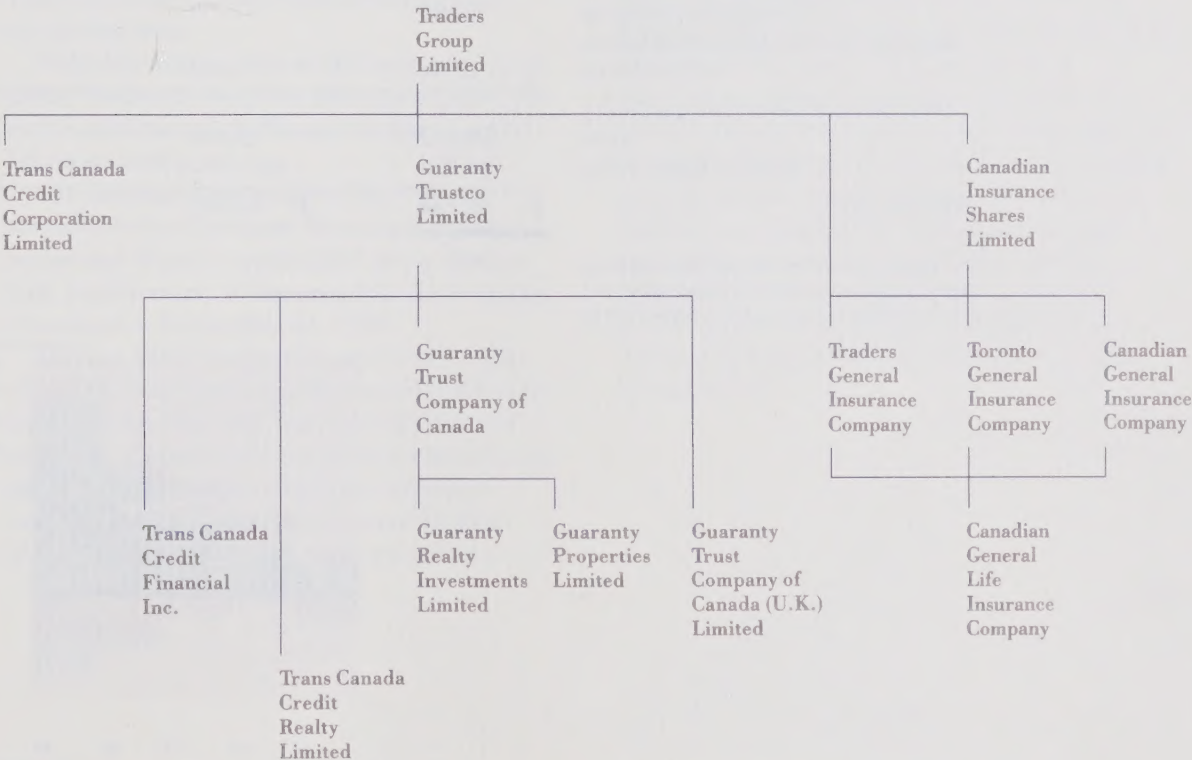
Trans Canada Credit Financial Inc. invests in personal finance loans written by Trans Canada Credit Corporation Limited, a subsidiary of Traders Group Limited.

Trans Canada Credit Realty Limited provides loans secured by real estate mortgages.

Insurance Group

Canadian General Insurance Company, Toronto General Insurance Company and Traders General Insurance Company provide automobile, property and casualty insurance.

Canadian General Life Insurance Company issues life insurance and accident and sickness insurance. It specializes in individual life insurance and in group insurance for business and professional associations.



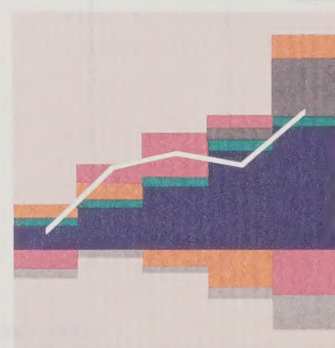


CONSOLIDATED  
HIGHLIGHTS

(\$ thousands)

	Year ended December 31	
	1986	1985
Consolidated gross income	\$ 833,411	\$ 713,644
Consolidated net income	49,344	12,615
Earnings per share	\$ 4.01	\$ 2.20
Dividends declared per Class A share and Class B common share	0.40	0.40
Return on average Class A and Class B common share equity <sup>1</sup>	15.14%	7.93%
Assets under administration		
Corporate	\$4,978,976	\$4,284,278
Fiduciary	4,711,522	4,327,256
Total assets under administration	9,690,498	8,611,534
Consolidated shareholders' equity	206,311	160,738
Weighted average number of Class A shares and Class B common shares outstanding	4,528	4,707
Contribution (loss) by business segment		
Guaranty Trustco Group		
Trust	\$ 18,332	\$ 14,755
Finance	8,537	1,829
Real Estate	1,314	1,415
	28,183	17,999
Canadian General Insurance Group	6,966	(5,647)
Traders Corporate	(4,640)	1,828
Net operating income	30,509	14,180
Non-recurring debt discharge costs	2,002	-
Provision for discontinued insurance operations	3,160	-
Minority interest and consolidation adjustments	4,975	1,565
Net income before extraordinary items	20,372	12,615
Extraordinary items	28,972	-
Net Income	\$ 49,344	\$ 12,615

<sup>1</sup>Excludes non-recurring debt discharge costs, provision for discontinued insurance operations and extraordinary items.



Net Income  
Millions of dollars  
(before extraordinary items)

82	83	84	85	86		
2.0	2.4	(2.3)	(5.6)	3.8	Insurance Group	■
-	-	-	1.8	8.5	Finance	■
1.0	1.1	1.1	1.4	1.3	Real Estate	■
3.8	6.5	9.5	14.8	18.3	Trust	■
(2.9)	3.3	6.6	1.8	(6.6)	Traders Corporate	■
(1.2)	(0.9)	(0.8)	(1.6)	(4.9)	Minority Interest	■
2.7	12.4	14.1	12.6	20.4	Net Income	□

## REPORT TO SHAREHOLDERS

The year 1986 was an eventful one for Traders Group. In June its subsidiary, Guaranty Trustco Limited, made its first common share issue to the public when 2,500,000 common shares from treasury were sold for \$25.75 per share. A profit was attributed to Traders because of its ownership interest in Guaranty Trustco Limited amounting to \$24,254,000 which has been recorded as an extraordinary item. As a result, final consolidated net income was \$49,344,000 which, after preferred dividends, was \$47,108,000 or \$10.40 per share accrued to common shareholders.

Consolidated gross income for Traders Group was \$833 million, compared with \$714 million in 1985. Traders' consolidated net income for 1986 before extraordinary items was \$20,372,000 or \$4.01 per common share, compared with \$12,615,000 or \$2.20 per share in 1985.

During the year, Traders Group discharged all outstanding senior secured debt. The cost of discharging the debt and the write-off of the unamortized net deferred foreign exchange losses together totalled \$2,002,000, net of income tax recoveries. This amount was charged to the income statement as a non-recurring item.

With the redemption of the senior secured debt, Traders Group was able to complete the rationalization of its finance business undertaken several years ago.

All personal finance loans have been transferred to Guaranty Trustco and only corporate finance receivables amounting to \$11.4 million net of unearned finance charges remained at December 31, 1986.

During 1986 Traders Group Limited purchased \$10 million in preferred shares issued by Canadian General Insurance Group. At year end, Canadian General Insurance Group met all statutory and insurance industry reporting requirements and exceeded the Department of Insurance Solvency Tests.

### **Guaranty Trustco Limited**

Guaranty Trustco's first full year since reorganization in May, 1985, was very successful. It reported a consolidated net income of \$27.2 million for 1986, which may be compared with \$17 million for 1985.

The principal subsidiaries of Guaranty Trustco each recorded considerably improved profits in 1986.

Guaranty Trust Company of Canada, the fifth largest Canadian trust company, celebrated its 60th Anniversary in 1986 and reported consolidated net income of \$19.6 million, compared with \$16.2 million in 1985, an increase of 21%.

Trans Canada Credit Financial Inc., which in 1986 completed the purchase of the personal finance loan business previously carried on by Traders Group, reported consolidated net income of \$6.4 million on average funds outstanding of \$259 million.

### **Canadian General Insurance Group**

Canadian General Insurance Group reported a net income of \$3.8 million in 1986, compared to a loss of \$5.6 million in 1985. Each of the four companies in the group, (Canadian General Insurance Company, Traders General Insurance Company, Toronto General Insurance Company and Canadian General Life Insurance Company) produced improved earnings. Property and casualty underwriting results were almost \$9 million better than in 1985 after provision for discontinued international reinsurance operations. Income from investments, capital gains and other operations increased by \$2.1 million after net realized gains of \$5.2 million on the sale of securities.



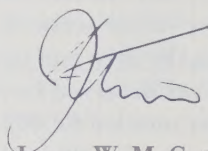
### Corporate Overview

Legislation affecting the financial services industry in the Province of Ontario continued to move through the legislative process in 1986. Federal policy, after many years of uncertainty, became clearer with the publication of "New Directions for the Financial Sector" in December. Developments in both of these areas hold the promise of considerable improvement in the environment in which our subsidiary companies operate. The broadening of permitted business activities for trust, loan, insurance and brokerage companies is important to Traders Group. Of major importance is the removal of restrictions on the consumer and corporate lending activities of the trust company.

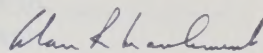
These proposals would greatly change the face of the financial services industry in Canada. We look forward to that with confidence, knowing that our companies are well positioned to take advantage of opportunities that are presented.

The economic outlook for Canada is for moderate growth in gross national product during 1987 and continuation of the disinflationary cycle. Increased oil prices, an improving forestry sector and the beginning of recovery in mining all should help the performance of Canada's resource based economy. A somewhat stronger Canadian dollar is likely with interest rates moving lower. Within this economic environment, we are confident about the operations of our subsidiaries and expect continued growth in earnings and assets.

We thank all employees for their contribution to the success this year of our group of companies, of which they may be deservedly proud. We also appreciate and are grateful for the support of our shareholders and directors throughout 1986.



James W. McCutcheon  
Chairman



Alan R. Marchment  
President and Chief  
Executive Officer

TRADERS GROUP  
REVIEW

Traders Group Limited has extensive holdings in the financial services industry in Canada. The companies in the Traders family provide a wide range of financial products to Canadians living in all parts of the country.

Operations of Traders are conducted primarily by two groups of companies. Guaranty Trustco Limited was set up in 1985 to bring together Guaranty Trust Company of Canada and the personal finance business formerly conducted by the Finance Group. Canadian General Insurance Group continues to operate Traders' insurance activities.

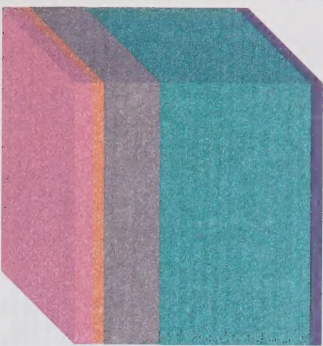
Guaranty Trustco Limited

For Guaranty Trustco, 1986 was a year of growth and development. Established in May, 1985, as a financial holding company, the component parts of Guaranty Trustco have continued to prosper under the new structure. Consolidated net income for the twelve-month period ended December 31, 1986 was \$27,213,000. The operating subsidiaries of Guaranty Trustco showed improved earnings over 1985. Return on assets at .65% and return on equity at 14.6% compare favourably with the average of the financial services industry.

A major highlight in 1986 was the first public issue of common shares. The issue took place in June and was for 2,500,000 common shares at \$25.75 per share for net proceeds of \$61,117,000. Earlier in the year, Guaranty Trustco entered the international money markets for the first time with a five-year US\$ 50,000,000 multi-currency, transferable loan facility.

Both of these events presented senior management with an opportunity to present the story of the Company to financial analysts and investors at meetings across Canada and in Europe. This has provided a wide following for the Company within the investment community which it is intended to develop further through regular briefings.

Guaranty Trustco operates in Canada through two principal subsidiaries: Guaranty Trust Company of Canada and Trans Canada Credit Financial Inc. A third subsidiary, Guaranty Trust Company of Canada (U.K.) Limited, located in London, England, engages



Guaranty Trustco  
Earnings  
Contribution  
Percent

7.7	Corporate	■
4.7	Real Estate	■
22.6	Personal Finance	■
61.5	Intermediary	■
3.5	Fiduciary	■



Guaranty Trustco  
Return on Assets  
Percent

82	83	84	85	86	86	
.18	.27	.35	.48	.50		Guaranty Trust ■
					.65	Guaranty Trustco ■



Guaranty Trustco  
Return on Equity  
Percent

82	83	84	85	86	86	
3.5	5.7	7.7	11.2	12.5		Guaranty Trust ■
					14.6	Guaranty Trustco ■



in stock brokerage and underwriting and offers stock transfer facilities for Canadian companies participating in the European markets.

Each of the component parts of the Guaranty Trustco group of companies has been assigned the task of identifying and developing its own market niche. The success of this formula is evidenced by the growth in operations, increased market share and increased profitability of the individual companies comprising Guaranty Trustco.

#### **Guaranty Trust Company of Canada**

Guaranty Trust Company of Canada celebrated its 60th Anniversary in 1986 with a strong growth in earnings. Unconsolidated net operating income increased to \$18.4 million from \$14.7 million in 1985, a 25% increase. Consolidated net income was \$19.6 million, up 21% from \$16.2 million in 1985.

Growth was again recorded in the financial intermediary business. At year end, intermediary assets totalled \$4.1 billion, an increase of 19% over 1985. Major elements in this growth included a 21% increase in savings and chequing deposits (from \$672 million in 1985 to \$814 million in 1986) and a 25% increase in term deposits (from \$2.2 billion in 1985 to \$2.7 billion in 1986).

Fiduciary assets also increased by 9% to \$4.7 billion, bringing total assets under administration to just under \$9 billion and securely positioning Guaranty Trust Company for future growth.

#### **Real Estate**

Real Estate operations are conducted by Guaranty Properties Limited and Guaranty Realty Investments Limited as subsidiaries of Guaranty Trust Company of Canada. Guaranty Properties Limited had a net income of \$1.3 million, slightly greater than last year. During the year Guaranty Properties reduced its land holdings by \$53 million which represented a decrease of about 40%. This step reflects an acceleration of our planned move towards a greater asset mix of income producing properties. Guaranty Realty Investments Limited acquired \$78 million in real estate assets in 1986 on behalf of investors. It also launched a real estate mutual fund – Guaranty Trust Property Fund – which is being sold in Canada.

#### **Trans Canada Credit Financial Inc.**

Trans Canada Credit Financial's personal finance loan portfolio was \$350 million at year end. Its contribution to Guaranty Trustco's income for 1986 was \$6.4 million. In addition to the \$350 million in personal finance loans carried by Trans Canada Credit Financial Inc., a further \$92 million of these loans is owned by Guaranty Trust Company. In total, 193,000 customers in all ten provinces are served through a network of 140 branches.

#### **International Activity**

Guaranty Trust Company of Canada (U.K.) Limited made a modest profit in 1986, its second full year of operations. This Company provides stock brokerage services and assists Canadian and U.S. clients in raising funds in the European capital markets. In addition, it offers a unique on-line stock transfer service to Canadian companies with European shareholders.

#### **Canadian General Insurance Group**

The Canadian General Insurance Group is comprised of four companies: Canadian General Insurance Company, which writes personal and commercial property, automobile and casualty insurance; Traders General Insurance Company, which specializes in group and personal automobile and household business; Toronto General Insurance Company, which writes assumed reinsurance; and Canadian General Life Insurance Company, which writes individual and group life insurance and accident and sickness insurance.

During 1986 Canadian General Insurance Group issued \$10 million in preferred shares, which were taken up by Traders Group Limited. At year end, the Group met all statutory and industry reporting requirements and exceeded the Department of Insurance Solvency Tests.

The Group reported a consolidated net income of \$3.8 million, of which \$2.5 million is attributed to general insurance operations and \$1.3 million to life insurance operations.



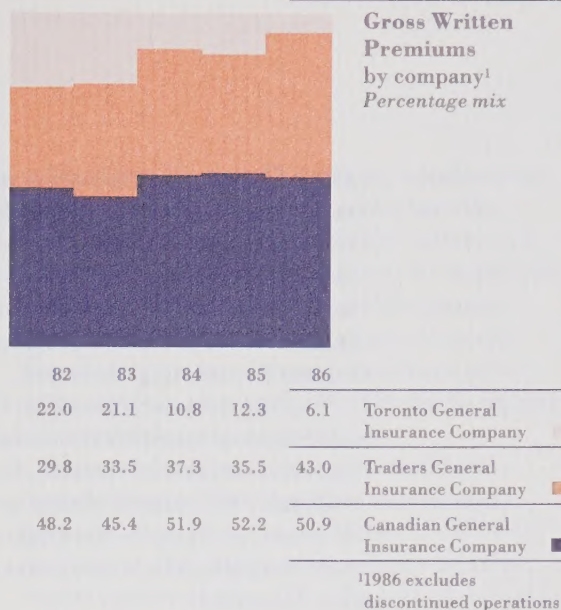
## General Insurance Operations

There was improvement in the earnings of the General Insurance Group in 1986. The Group reported a profit of \$2.5 million, an increase of more than \$9 million over the prior year. Better underwriting results and increased gains realized on sales of securities were the main factors contributing to the improved performance.

Gross written premiums grew to \$155,492,000 in 1986, an increase of \$8,987,000 over the prior year. The growth was almost entirely due to rate increases in the various portfolios. Claims were \$92,324,000 for a loss ratio of 78.5%, almost 9% or \$13,698,000 better than 1985.

General and administration expenses were \$15,245,000 or 12.9% of premiums earned, \$2,520,000 or 1.7% lower than last year. This is the fourth year in a row that expenses have been lower than the previous year. The reduction has been accomplished through tight management control and the implementation of enhanced computer systems.

During the year substantial and necessary rate increases were introduced for all lines. The most important of these were in the automobile business in the Province of Ontario where the need is greatest. The effects of the Ontario automobile rate increases are now being felt and the loss ratio for this line was reduced by 4.9 percentage points during



## OPERATIONS SUMMARY GENERAL INSURANCE COMPANIES

(\$ thousands)

	Automobile		Property & Casualty		Total	
	1986	1985	1986	1985	1986	1985
Net written premiums	81,979	73,983	41,624	46,839	123,603	120,822
Policies in force	137,574	147,430	164,388	169,097	301,962	316,527
Net earned premiums	77,314	74,115	40,333	47,257	117,647	121,372
Claims	69,737	69,919	22,587	36,103	92,324	106,022
Commissions and premium taxes	12,106	11,905	8,657	10,575	20,763	22,480
Other expenses	8,148	9,998	7,097	7,767	15,245	17,765
Underwriting profit (loss)	(12,677)	(17,707)	1,992	(7,188)	(10,685)	(24,895)
Investment income and other					18,457	17,262
Operating income (loss) before income taxes					7,772	(7,633)
Income taxes—deferred					2,088	(878)
Net operating income (loss)					5,684	(6,775)
Provision for discontinued operations, net of income taxes					3,160	—
Net income (loss)					2,524	(6,755)
Underwriting profit (loss) ratio	(16.4)	(23.9)	4.9	(15.2)	(9.1)	(20.5)



1986. The improvement was particularly noticeable during the second half of the year when the loss ratio was 12.6% lower than the same period a year earlier. As the increases work their way through the system in 1987 from written to earned premiums, we can expect further improvement.

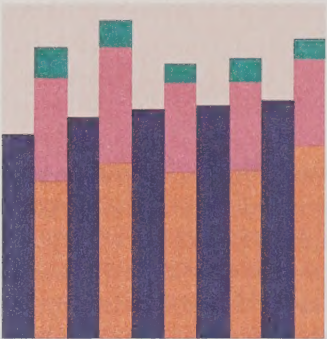
During the year, Canadian General Insurance discontinued its reinsurance assumed business outside of Canada. In order to provide fully for related claims over the next 15 years, a charge to earnings of \$3,160,000 (net of applicable income taxes of \$2,088,000) was recorded.

### Life Insurance Operations

Profit growth from life insurance operations was strong in 1986. Pre-tax earnings reached \$2.1 million, an all time record.

Most lines of business produced good sales results which, combined with better than average persistency rates for policies remaining in force, resulted in a healthy growth in all areas of coverage. Gross premium income was \$56 million, an increase of 14% over last year.

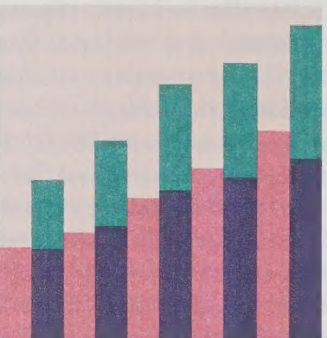
Total Life Insurance in force exceeded \$9.6 billion. Group premium income for life and for accident and sickness coverage reached \$33 million. At the end of the year, capital and surplus funds stood at \$14.1 million. This is 17% of total corporate assets, a high ratio by industry standards. In total, more than 250,000 Canadians are now protected against the risk of death or illness through Canadian General individual and group contracts.






**Premiums Written  
by class of business<sup>1</sup>**  
Millions of dollars

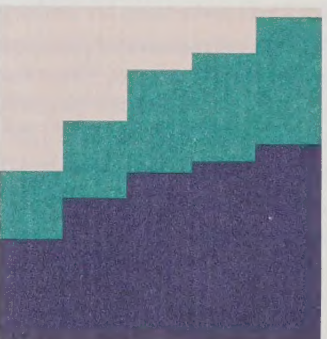
82	83	84	85	86	
16.0	14.7	10.4	12.6	10.7	Casualty-Gross Written Premiums
54.0	59.7	46.7	46.5	44.2	Property-Gross Written Premiums
82.0	91.7	86.1	87.4	100.6	Auto-Gross Written Premiums
105.0	114.0	118.3	120.8	123.6	Net Written Premiums

<sup>1</sup>1986 excludes discontinued operations





**Premiums Written  
-Life**  
Millions of dollars

82	83	84	85	86	
12.4	14.7	18.8	20.3	23.7	Accident and sickness 
16.2	20.7	26.9	29.1	32.3	Life 
16.6	19.4	25.6	30.7	37.2	Net 



**Business in Force  
-Life**  
Billions of dollars

82	83	84	85	86	
2.0	2.3	3.0	3.2	3.7	Group 
3.0	4.2	5.0	5.3	5.9	Individual 
5.0	6.5	8.0	8.5	9.6	Total



**Management's Report  
to the Shareholders  
of Traders Group Limited**

Management is responsible for the preparation, presentation and consistency of financial information contained in this Annual Report. The financial statements and accompanying notes, prepared in accordance with generally accepted accounting principles, are considered by management to present fairly the Company's consolidated financial position and results of operations.

Management maintains the necessary system of internal controls to provide assurance that transactions are authorized, assets safeguarded and proper records maintained. The controls are monitored by the Company's internal auditors

The Board of Directors appoints an Audit Committee of directors to review with management financial information intended for publication, and the adequacy thereof, before such information is submitted to the Board for approval. It also reviews accounting policies and control procedures in effect throughout the Company. The Executive Committee of the Board approves credit authorization policies.

**Auditors' Report  
To the Shareholders of  
Traders Group Limited**

We have examined the consolidated balance sheet of Traders Group Limited as at December 31, 1986 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The Department of Insurance conducts an annual examination and enquiry into the Trust and Insurance Companies' affairs as it feels appropriate and necessary to satisfy the provisions of the federal Trust Companies Act, under which the Company is licensed. These examinations ensure that these provisions are duly observed and that the Company is in sound financial condition.

Independent auditors appointed by the shareholders of the Company examine our financial statements in accordance with generally accepted auditing standards and their report appears below. The shareholders' auditors have free and independent access to the Audit Committee and meet with the Committee and with management to consider matters relating to financial statement presentation, internal controls and audit procedures.

Alan R. Marchment  
President and Chief Executive Officer

Edwin W. Austin  
Senior Vice President and  
Chief Financial Officer

Toronto, January 29, 1987

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse  
Chartered Accountants

Toronto, January 29, 1987

**CONSOLIDATED  
BALANCE SHEET**  
(\$ thousands)

		December 31		
		1986	1985	% Increase (Decrease)
<b>Assets</b>				
<b>Guaranty Trustco Group</b>				
<b>Trust</b>				
	Cash and money market instruments	\$ 463,658	\$ 442,918	5
	Securities	370,869	227,204	63
	Loans	3,097,736	2,621,106	18
	Other	86,346	75,301	15
		<u>4,018,609</u>	<u>3,366,529</u>	<u>19</u>
<b>Finance</b>				
	Cash and money market instruments	2,811	2,799	-
	Loans	385,166	199,156	93
	Other	2,961	8,388	(65)
		<u>390,938</u>	<u>210,343</u>	<u>86</u>
<b>Real Estate</b>				
	Cash	1,046	1,913	(45)
	Real estate	215,059	217,438	(1)
	Other	5,711	7,835	(27)
		<u>221,816</u>	<u>227,186</u>	<u>(2)</u>
		<u>4,631,363</u>	<u>3,804,058</u>	<u>22</u>
<b>Canadian General Insurance Group</b>				
	Cash and money market investments	75,295	83,268	(10)
	Securities	163,313	126,692	29
	Premiums receivable and deferred acquisition costs	42,423	35,379	20
	Other	18,974	14,796	28
		<u>300,005</u>	<u>260,135</u>	<u>15</u>
<b>Traders Corporate</b>				
	Cash and money market instruments	12,775	22,390	(43)
	Receivables	12,534	189,751	(93)
	Other	22,299	7,944	-
		<u>47,608</u>	<u>220,085</u>	<u>(78)</u>
		<u>\$4,978,976</u>	<u>\$4,284,278</u>	<u>16</u>

Approved by the Board of Directors:  
James W. McCutcheon, Q.C.  
Director

Alan R. Marchment, F.C.A.  
Director



CONSOLIDATED  
BALANCE SHEET  
(\$ thousands)

		December 31		
		1986	1985	% Increase (Decrease)
<b>Liabilities</b>				
<b>Guaranty Trustco Group</b>				
<b>Trust</b>				
	Savings and chequing accounts	\$ 814,382	\$ 672,240	21
	Time deposits	223,547	277,267	(19)
	Guaranteed investment certificates	2,709,619	2,159,123	25
	Other	198,647	196,666	1
		3,946,195	3,305,296	19
<b>Finance</b>				
	Short and medium term debt	232,919	173,047	35
	Unearned finance charges	75,091	30,040	–
	Other	15,617	4,315	–
		323,627	207,402	56
<b>Real Estate</b>				
	Bank and other loans secured by mortgages	88,340	99,809	(11)
	Other	46,180	44,119	5
		134,520	143,928	(7)
		4,404,342	3,656,626	20
<b>Canadian General Insurance Group</b>				
	Provision for outstanding losses	162,586	139,079	17
	Unearned insurance premiums	67,979	61,385	11
	Other	21,079	25,140	(16)
		251,644	225,604	12
<b>Traders Corporate</b>				
	Debt (Note 3)	42,910	176,715	(76)
	Unearned finance charges	1,112	29,245	(96)
	Other	8,144	11,471	(29)
		52,166	217,431	(76)
	Minority interest	64,513	23,879	–
<b>Shareholders' Equity (Note 4)</b>				
	Preferred shares	29,493	29,710	(1)
	Class A shares and Class B common shares	41,584	41,126	1
		71,077	70,836	–
	Retained earnings	135,234	89,902	50
		206,311	160,738	28
		\$4,978,976	\$4,284,278	16

Traders Group Limited

CONSOLIDATED STATEMENT  
OF INCOME

(\$ thousands)

		Year ended December 31		
		1986	1985	% Increase (Decrease)
<b>Revenue</b>				
	Guaranty Trustco Group			
	Trust	\$440,255	\$400,866	10
	Finance	79,587	20,322	-
	Real Estate	113,854	46,037	-
		633,696	467,225	36
	Canadian General Insurance Group	180,727	174,106	4
	Traders Corporate	18,988	72,313	(74)
		833,411	713,644	17
<b>Expense</b>				
	Guaranty Trustco Group			
	Trust	417,343	380,312	10
	Finance	62,692	16,708	-
	Real Estate	112,792	44,901	-
		592,827	441,921	34
	Canadian General Insurance Group	169,086	178,374	(5)
	Traders Corporate	25,243	66,389	(62)
		787,156	686,684	15
	Operating income before income taxes	46,255	26,960	72
	Income taxes (Note 8)	15,746	12,780	23
	<b>Net operating income</b>	30,509	14,180	-
	Non-recurring debt discharge costs (Note 3)	2,002	-	-
	Provision for discontinued insurance operations (Note 11)	3,160	-	-
	Minority interest and consolidation adjustments	4,975	1,565	-
	<b>Net income before extraordinary items</b>	20,372	12,615	61
	Extraordinary items (Note 10)	28,972	-	-
	<b>Net income</b>	\$ 49,344	\$ 12,615	-
	Available for			
	Preferred shares	\$ 2,236	\$ 2,241	-
	Common shares	47,108	10,374	-
		\$ 49,344	\$ 12,615	-
<b>Earnings per Class A share and Class B common share</b>				
	-Before extraordinary items	\$ 4.01	\$ 2.20	
	-After extraordinary items	\$ 10.40	\$ 2.20	
<b>Weighted average number of Class A shares and Class B common shares outstanding</b>		4,528	4,707	
<b>Return on average Class A and Class B common equity<sup>1</sup></b>		15.14%	7.93%	

<sup>1</sup>Excludes non-recurring debt discharge costs, provision for discontinued insurance operations and extraordinary items.



CONSOLIDATED STATEMENT  
OF RETAINED EARNINGS  
(\$ thousands)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (\$ thousands)		Year ended December 31		
		1986	1985	% Increase (Decrease)
Balance at beginning of year		\$ 89,902	\$100,789	(11)
Amortization of cost of issuing preferred shares net of gain on redemption		35	21	67
Charges arising from reorganization		-	(19,417)	-
		89,937	81,393	10
Net income		49,344	12,615	-
Less dividends on preferred shares				
	4½%	135	135	-
	5%	58	58	-
	5%, Series A	43	45	(4)
	\$2.16 Series B	352	352	-
	10¼%	624	625	-
	7.5%	1,024	1,026	-
		2,236	2,241	-
Earnings available for Class A shares and Class B common shares		47,108	10,374	-
Less dividends on Class A shares and Class B common shares (1986 and 1985—\$0.40 per share)		1,811	1,865	(3)
Earnings retained for the year		45,297	8,509	-
Balance at end of year		\$135,234	\$ 89,902	50

CONSOLIDATED STATEMENT  
OF CHANGES IN FINANCIAL POSITION

(\$ thousands)

Year ended December 31

	1986	1985
<b>Cash and money market instruments derived from</b>		
Operations		
Net income before extraordinary items	\$ 20,372	\$ 12,615
Charges not affecting cash	1,422	10,971
Decrease (increase) in security and loan income accrued	(284)	1,581
Increase (decrease) in accrued interest and accounts payable	22,070	(1,120)
	<u>43,580</u>	<u>24,047</u>
<b>Net increase (decrease) in</b>		
Trust deposits	638,918	368,703
Finance debt	59,872	173,047
Real Estate debt	(11,469)	33,610
Provision for outstanding insurance losses	23,507	17,025
Unearned insurance premiums	6,594	1,019
Unearned finance charges	3,239	(2,272)
Net proceeds from issue of common shares by Guaranty Trustco Limited	61,117	-
Net proceeds on sale of the Corporation's head office premises	11,000	-
Other	(9,881)	(3,350)
	<u>826,477</u>	<u>611,829</u>
<b>Cash was used for</b>		
Investments		
Net increase (decrease) in		
Securities	180,286	100,140
Loans and receivables	485,423	179,974
Real Estate	(2,379)	45,755
Premiums receivable and deferred acquisition costs	7,044	(96)
Discharge of Traders Corporate debt	133,805	177,859
Reorganization	-	3,771
Net redemption of shares of the corporation	217	123
Addition to fixed assets	12,868	9,560
Dividends to Traders shareholders	4,047	4,106
Dividends to minority shareholders	2,869	1,739
	<u>824,180</u>	<u>522,931</u>
<b>Increase in cash and money market instruments</b>	<u>\$ 2,297</u>	<u>\$ 88,898</u>



1. Business of the Corporation

During the year the Corporation completed the transfer of substantially all finance receivables to Guaranty Trustco Limited and its subsidiaries

and discharged all senior secured debt. The Corporation's activities are now limited mainly to the holding of investments in its operating subsidiaries.

2. Summary of Significant Accounting Policies  
Consolidation

The consolidated financial statements include the accounts of the Corporation and the following major subsidiary corporations:

	Effective % Held by Traders
<b>Guaranty Trustco Group</b>	
Guaranty Trustco Limited	77.4 %
Guaranty Trust Company of Canada	77.3 %
Guaranty Properties Limited	77.3 %
Guaranty Realty Investments Limited	77.3 %
Guaranty Trust Company of Canada (U.K.) Limited	77.4 %
Trans Canada Credit Financial Inc.	77.4 %
Trans Canada Credit Realty Limited	77.4 %
<b>Canadian General Insurance Group</b>	
Canadian General Insurance Company	99.4 %
Toronto General Insurance Company	98.9 %
Traders General Insurance Company	99.5 %
Canadian General Life Insurance Company	98.1 %
<b>Traders Corporate</b>	
Trans Canada Credit Corporation Limited	100.0 %
Traders Finance Corporation (1976) Limited	100.0 %

Trust Company

Bonds and debentures are stated at amortized cost. Premiums or discounts on the purchase of bonds are amortized on a yield to maturity basis. Common and preferred stocks are stated at cost. Realized gains or losses are included in the statement of income. Where security or loan investments are exchanged under concurrent purchase and sale contracts to improve investment portfolios, the cost of the investment sold is deemed to be the cost of the investment acquired.

Loans are stated at cost or cost plus unearned finance charges less a provision for losses. Unearned income on installment contracts is computed by the sum of the digits method. Income from interest bearing loans is recorded on an accrual basis. Generally, no accruals of interest are made on loans after 90 days delinquency.

Fees and commissions are recorded as income when earned.

Gains and losses on interest spread protection devices such as interest rate futures contracts are amortized over the term of the protected assets or liabilities.

Finance

Unearned income on direct financing lease contracts and certain long-term installment contracts is computed on an actuarial yield basis. Unearned income on other installment contracts is computed by the sum of the digits method.

Income from interest bearing loans is recorded on an accrual basis.

Real Estate

The proportionate share of the assets, liabilities, income and expenses of all joint ventures and partnerships are included in the consolidated financial statements.

Housing and lot sales are recorded after all material conditions have been fulfilled and a minimum of 15% of the sale price has been received as cash.

Land held for and under development is carried at the lower of cost, including direct carrying charges (primarily interest and realty taxes) and development costs, and estimated net realizable value at the time of sale. Income producing properties, including those under construction or development, are held at cost less accumulated depreciation on operating properties.

Corporate

A portion of the gain on sale of the Corporation's head office premises, representing the present value of rental payments under the two-year operating leaseback, is being deferred and amortized over the term of the lease.

Insurance

Net written premiums are included in income evenly over the term of the policies. Deferred acquisition expenses, comprised of net commissions and premium taxes, are amortized to income over the periods in which the premiums are earned. The method used limits the amount deferred to the amount recoverable after taking into consideration a portion of investment income.

The Companies follow the policy of underwriting and reinsuring contracts of insurance which limit the liability of the Companies to a maximum amount on any one loss in the event

of a claim. Reinsurance ceded does not, however, relieve the companies of their ultimate liability to their insureds in the event that any reinsurer is unable to meet its obligations under the reinsurance contracts.

Premium income is recorded net of amounts ceded to reinsurers and commissions and losses are recorded net of reinsurance recoveries.

The provision for outstanding losses includes

an estimated provision for all costs of investigation and settlement of claims incurred prior to the balance sheet date. This estimated provision is recorded net of anticipated salvage and subrogation recoveries.

Bonds and mortgages are carried at amortized cost. Stocks are carried at cost. Gains and losses on disposal are recognized in income when realized.

### 3. Traders Corporate Debt

Details of outstanding debt are as follows:

		Due within one year	Due beyond one year	Total
		(\$ thousands)		
Summary	Secured Debt	\$2,429	\$ 3,381	\$ 5,810
	Unsecured Debt			
	<i>Debentures</i>	1,937	35,163	37,100
	Total Corporate Debt	<u>\$4,366</u>	<u>\$38,544</u>	<u>\$42,910</u>

#### Secured Debt

The Corporation has obligations of \$5,810,000 secured on leased property, bearing interest rates from 8.35% to 10.25% and payable from 1987 through 1990.

In 1986 the Corporation discharged all outstanding senior secured debt.

The costs of discharging the debt and the write-off of the unamortized net deferred foreign exchange losses, totalling \$2,002,000 net of income tax recoveries of \$2,051,000, was charged as a non-recurring item to the income statement.

Debentures		Annual sinking fund or maximum annual purchase fund	Outstanding
Series	Maturity date		(\$ thousands)
14 3/4%	June 15, 1990	\$ 381	\$ 5,271
11 1/2%	November 1, 1990	238	3,305
14%	April 15, 1991	121	1,905
9 1/2%	June 15, 1991	106	2,673
13 1/2%	April 15, 1992	178	3,100
8 3/4%	October 15, 1992	51	1,911
13%	April 15, 1993	135	2,464
8 3/4%	May 1, 1993	375	8,184
9%	October 15, 1993	375	8,287
		<u>\$ 1,960</u>	<u>\$ 37,100</u>

#### 4. Share Capital

Cumulative redeemable preferred shares	Authorized shares	Issued and Outstanding	
		Shares	Amount
		(\$ thousands)	
4 1/2% preferred shares	35,000	35,000	\$ 3,500
Less held by subsidiaries		5,022	502
		29,978	2,998
5% preferred shares	29,149	29,099	1,164
\$30 preferred shares, issuable in series	351,917		
5%, Series A		30,049	901
Less purchases during 1986		4,500	135
		25,549	766
\$2.16, Series B		163,096	4,893
Less purchases during 1986		600	18
		162,496	4,875
\$10 preferred shares, issuable in series	5,000,000		
10 1/4% preferred shares		608,731	6,087
7.5% preferred shares	331,100	273,562	13,678
Less purchases during 1986		1,510	75
		272,052	13,603
			<u>\$29,493</u>

The terms of issue of preferred shares issued in a series include provisions by which the Corporation is to provide (subject to certain conditions)

an annual fund for the purchase of these preferred shares in the aggregate amount of \$1,384,000.

Class A shares and Class B common shares		Issued and Outstanding			
		1986		1985	
		Authorized Shares	(\$ thousands) Shares Amount	Shares	Amount
<b>Class A shares</b>					
Balance at beginning of year	Unlimited	4,129,110	\$40,868	6,610,054	\$65,032
Cancellations				(2,511,388)	(24,777)
Dividend reinvestment <sup>(1)</sup>		14,334	458	30,444	613
Balance at end of year	Unlimited	4,143,444	\$41,326	4,129,110	\$40,868
<b>Class B common shares</b>					
Balance at beginning of year	720,000	387,259	\$ 258	720,000	\$ 480
Cancellations	-	-	-	(332,741)	(222)
Balance at end of year	720,000	387,259	\$ 258	387,259	\$ 258
<b>Total balance at end of year</b>		<u>4,530,703</u>	<u>\$41,584</u>	4,516,369	\$41,126

<sup>(1)</sup>Under the Dividend Reinvestment Plan and Stock Dividend Program eligible holders of Class A non-voting shares and Class B common shares may elect to acquire new Class A

non-voting shares at 95% of the average market price through the reinvestment of dividends.



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### 5. Related Party Transactions

During the year Traders Group Limited and its finance subsidiaries sold at fair market value \$275,740,000 (1985-\$246,200,000) of personal finance loans, net of unearned finance charges of \$56,310,000 (1985-\$57,350,000), to the sub-

sidaries of Guaranty Trustco. During the year \$25,813,000 (1985-\$ nil) of corporate leases, net of unearned finance charges of \$8,139,000 were sold by Traders Group Limited to Guaranty Trustco at fair market value.

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### 6. Pension Plans

Pension plans are provided for substantially all employees. The most recent independent actuar-

ial valuations of the plans were made January 1, 1986 showing no unfunded liability and a surplus to offset current and future pension costs.

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### 7. Commitments and Contingencies

Guaranty Trust leases premises for various periods up to 15 years. The aggregate amount of rentals incurred in the year ended December 31, 1986 was \$4,285,000 (1985-\$3,827,000) and the aggregate minimum rental expense under these leases for the five years subsequent to December 31, 1986 is approximately \$17,266,000 (1985-\$17,614,000).

Outstanding loan and mortgage commitments for future advances total \$238,653,000 as at December 31, 1986 (1985-\$175,924,000).

Guaranty Properties is contingently liable in the amount of \$52,300,000 at December 31, 1986 (1985-\$32,316,000) for the liabilities of co-owners in unincorporated joint ventures. These contingent liabilities, if materialized, would be offset by a claim on the joint venture assets of the co-owners. The total value of these assets exceeds the contingent liability.

In 1981 legal proceedings against Guaranty Trust, the Bank of Montreal, Thorne Riddell Inc., and others, were commenced in British Columbia and in Alberta, alleging, among other things, that Guaranty Trust acting as trustee under a trust indenture improperly appointed a receiver and manager of the assets of Abacus Cities Ltd., now in bankruptcy. Damages claimed against all defendants in Alberta total approximately \$300,000,000, while the action in British Columbia claims an unspecified amount.

In British Columbia, Thorne Riddell & Company, Vernon C. Morrison and the Bank of

Montreal, co-defendants, have brought a third party action against their co-defendants, including Guaranty Trust, for indemnity in respect of the claims asserted by the plaintiffs.

Upon the application of Guaranty Trust and other defendants, the Alberta and British Columbia actions have been ordered dismissed by the courts. These orders were sustained upon appeal by the respective provincial appellate courts and, in the case of the Alberta action, by the Supreme Court of Canada. The order of the British Columbia Court of Appeal is presently under appeal to the Supreme Court of Canada.

In 1986, legal proceedings were commenced in Alberta by Collins, Barrow, the joint trustee of the Abacus estate, against Guaranty Trust, the Bank of Montreal, Thorne Riddell Inc. and others, for damages in the amount of \$300,000,000 alleging that the court order dated May 17, 1979 appointing Thorne Riddell Inc. as receiver and manager of the estate of Abacus Cities Ltd. and the consent thereto of Abacus Cities Inc. were secured by misrepresentation and fraud. This action was ordered dismissed by the Alberta Court of Queen's Bench. This order is presently under appeal.

In the event that the outstanding appeals are successful and these proceedings are maintained, Guaranty Trust will continue to defend these proceedings, including the third party actions, and, based upon the opinion of its legal counsel, Guaranty Trust has a good defence to all actions.

## 8. Income Taxes

The Corporation and certain subsidiaries receive tax-exempt dividend and debenture income. Also certain items of income and expense are recognized in time periods for financial reporting different from that for income tax purposes. These amounts may be used to offset taxable

income in subsequent tax years. Providing it is virtually certain that the benefit will be used, accounting recognition is given to these amounts.

The Corporation's consolidated provision for income taxes, compared to assumed combined statutory rates, is summarized as follows:

	Year ended December 31			
	1986		1985	
	(\$ thousands)			
Operating income before income taxes	\$46,255		\$26,960	
Provision based on combined statutory rates	\$24,053	52%	\$14,121	52%
Increase (decrease) resulting from:				
<i>Tax-exempt dividend and debenture income</i>	(7,975)	(17)	(5,553)	(21)
<i>Income tax benefits not recognized</i>	—	—	3,900	15
<i>Other items</i>	(332)	(1)	312	1
Income tax provision	\$15,746	34%	\$12,780	47%

## 9. Segmented Information

The major business segments are as follows:

### Guaranty Trustco Group

#### Trust

- investment of depositor funds in mortgages, securities, and personal and corporate loans.
- acting as executor, trustee, custodian, agent or manager through the provision of personal, pension and corporate trust services, as well as stock and bond transfer services.

#### Finance

- investment in small personal loan and corporate loan portfolios.

#### Real Estate

- land development and investment in income producing properties and property management.

-provides to investors an opportunity to participate in institutional quality real estate through various investment funds of which Guaranty Trust is trustee.

### Canadian General Insurance Group

- provision of a full line of automobile, fire and miscellaneous casualty insurance and of individual and group life insurance.

### Traders Corporate

- During 1986 this segment became primarily a company holding investments in its operating subsidiaries.

General and administrative expenses common to all segments have been allocated based on cost analysis with reference to such factors as time, headcount, average funds in use and other relationships.

	Gross revenue		Contributed earnings	
	Year ended December 31		Year ended December 31	
	1986	1985	1986	1985
	(\$ thousands)			
Guaranty Trustco Group				
Trust	\$440,255	\$400,866	\$ 18,332	\$ 14,755
Finance	79,587	20,322	8,537	1,829
Real Estate	113,854	46,037	1,314	1,415
	633,696	467,225	28,183	17,999
Canadian General Insurance Group	180,727	174,106	6,966	(5,647)
Traders Corporate	18,988	72,313	(4,640)	1,828
	<u>\$833,411</u>	<u>\$713,644</u>	<u>30,509</u>	<u>14,180</u>
Non-recurring debt discharge costs			(2,002)	-
Provision for discontinued insurance operations			(3,160)	-
Minority interest and consolidation adjustments			(4,975)	(1,565)
Net income before extraordinary items			20,372	12,615
Extraordinary items			28,972	-
Net Income			<u>\$ 49,344</u>	<u>\$ 12,615</u>

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**10. Extraordinary Items**

The 1986 extraordinary items consist of:

	(\$ thousands)
Gain resulting from the issue to the public of common shares by a subsidiary, Guaranty Trustco Limited, for net proceeds per share in excess of book value	\$24,254
Gain on sale of the Corporation's head office premises (net of income taxes of \$1,855,000)	4,718
	<u>\$28,972</u>

The total gain on sale of the Corporation's head office premises was \$6,107,000 (net of income taxes of \$2,516,000). Of this amount \$1,389,000 (net of income taxes of \$661,000), representing

the present value of rental payments under a two-year operating leaseback, is being deferred and amortized over the term of the lease.

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**11. Discontinued Insurance Operations**

During the year, Canadian General Insurance discontinued its international reinsurance opera-

tions and charged \$3,160,000 to earnings, net of applicable income taxes, in order to fully provide for anticipated related claims.

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**12. Corporate Leases**

The Corporation and Guaranty Trustco Limited

have the following net investment in direct financing lease contracts:

	1986	1985
	(\$ thousands)	
Aggregate rentals receivable	\$40,500	\$48,901
Residuals on expiry of leases		
Contractual	539	559
Non-contractual	1,774	1,774
	<u>42,813</u>	51,234
Unearned finance charges	8,411	10,725
	<u>\$34,402</u>	\$40,509

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**13. Comparative Figures**

Certain comparative figures for 1985 have been

reclassified to conform with the financial statement presentation adopted in 1986.



**FIVE YEAR REVIEW—  
TRADERS CONSOLIDATED CONDENSED  
STATEMENT OF INCOME**  
(\$ thousands)

**Traders Group Limited**  
**Financial Analysis**

		Year ended December 31				
		1986	1985	1984	1983	1982
<b>Revenue</b>						
	Guaranty Trustco Group					
	<i>Trust</i>	\$440,255	\$400,866	\$367,604	\$343,370	\$374,975
	<i>Finance</i>	79,587	20,322	—	—	—
	<i>Real Estate</i>	113,854	46,037	36,284	26,278	28,463
		633,696	467,225	403,888	369,648	403,438
	Canadian General Insurance Group	180,727	174,106	165,072	144,638	138,969
	Traders Corporate <sup>1</sup>	18,988	72,313	91,938	89,424	96,785
		833,411	713,644	660,898	603,710	639,192
<b>Expense</b>						
	Guaranty Trustco Group					
	<i>Trust</i>	417,343	380,312	352,583	332,223	371,181
	<i>Finance</i>	62,692	16,708	—	—	—
	<i>Real Estate</i>	112,792	44,901	36,146	24,703	24,338
		592,827	441,921	388,729	356,926	395,519
	Canadian General Insurance Group	169,086	178,374	169,335	140,567	137,534
	Traders Corporate	25,243	66,389	79,559	81,904	98,960
		787,156	686,684	637,623	579,397	632,013
	Operating income before income taxes	46,255	26,960	23,275	24,313	7,179
	Income taxes	15,746	12,780	8,386	10,981	1,716
	<b>Net operating income</b>	30,509	14,180	14,889	13,332	5,463
	Non-recurring debt discharge costs	2,002	—	—	—	—
	Provision for discontinued insurance operations	3,160	—	—	—	—
	Minority interest and consolidation adjustments	4,975	1,565	765	900	1,219
	Loss from factoring operation	—	—	—	—	1,590
	<b>Net income before extraordinary items</b>	20,372	12,615	14,124	12,432	2,654
	Extraordinary items	28,972	—	—	9,660	—
	<b>Net Income</b>	<u>\$ 49,344</u>	<u>\$ 12,615</u>	<u>\$ 14,124</u>	<u>\$ 22,092</u>	<u>\$ 2,654</u>
	<b>Available for</b>					
	Preferred shares	\$ 2,236	\$ 2,241	\$ 2,269	\$ 2,364	\$ 2,464
	Class A shares and Class B common shares	47,108	10,374	11,855	19,728	190
		<u>\$ 49,344</u>	<u>\$ 12,615</u>	<u>\$ 14,124</u>	<u>\$ 22,092</u>	<u>\$ 2,654</u>
	<b>Earnings per Class A share and Class B common share</b>					
	—Before extraordinary items	\$4.01	\$2.20	\$2.33	\$1.98	\$0.04
	—After extraordinary items	10.40	2.20	2.33	3.88	0.04
	<b>Dividends declared per share</b>	0.40	0.40	0.40	0.40	0.40
	<b>Return on average common share equity<sup>2</sup></b>	15.14%	7.93%	8.99%	8.56%	1.50%
	<sup>1</sup> Formerly Traders Finance Group					
	<sup>2</sup> Excludes extraordinary and non-recurring items.					

# Traders Group Limited

## FINANCIAL ANALYSIS- FIVE YEAR REVIEW

(\$ thousands)

December 31

	1986	1985 <sup>1</sup>	1984 <sup>1</sup>	1983 <sup>1</sup>	1982 <sup>1</sup>
<b>Consolidated Assets</b>					
Guaranty Trustco Group					
<i>Trust</i>	\$4,018,609	\$3,366,529	\$2,987,963	\$2,656,967	\$2,522,143
<i>Finance</i>	390,938	210,343	-	-	-
<i>Real Estate</i>	221,816	227,186	176,535	169,153	164,330
	4,631,363	3,804,058	3,164,498	2,826,120	2,686,473
Canadian General Insurance Group	300,005	260,135	243,194	227,936	205,103
Traders Corporate	47,608	220,085	456,330	418,139	508,268
	\$4,978,976	\$4,284,278	\$3,864,022	\$3,472,195	\$3,399,844
<b>Consolidated capitalization</b>					
Traders Corporate debt					
Secured debt					
<i>Short term</i>	\$ -	\$ 1,338	\$ 96,830	\$ 71,485	\$ 78,259
<i>Medium term</i>	-	28,200	83,408	15,230	36,082
<i>Long term</i>	-	99,424	113,205	150,081	198,451
<i>Other secured</i>	5,810	8,265	10,510	12,570	22,986
	5,810	137,227	303,953	249,366	335,778
Debentures	37,100	39,051	49,087	59,703	68,857
Other	-	437	1,534	1,603	4,616
	42,910	176,715	354,574	310,672	409,251
Shareholders' equity and minority interest	270,824	184,617	180,052	171,224	152,711
	\$ 313,734	\$ 361,332	\$ 534,626	\$ 481,896	\$ 561,962
Book value per share	\$39.14	\$27.84	\$26.88	\$24.95	\$21.42
<b>Net income (loss) by business segment</b>					
Guaranty Trustco Group					
<i>Trust</i>	\$ 17,362	\$ 13,759	\$ 8,463	\$ 5,450	\$ 2,719
<i>Finance</i>	4,337	992	-	-	-
<i>Real Estate</i>	1,314	1,415	1,140	1,072	1,002
	23,013	16,166	9,603	6,522	3,721
Canadian General Insurance Group	6,921	(5,619)	(2,329)	2,432	1,428
Traders Corporate	(4,400)	2,068	6,850	3,478	(905)
Extraordinary and non-recurring items	23,810	-	-	9,660	(1,590)
	\$ 49,344	\$ 12,615	\$ 14,124	\$ 22,092	\$ 2,654
<b>Weighted average number of Class A shares and Class B common shares outstanding</b>	4,528	4,707	5,094	5,078	5,067
<b>Number of employees</b>	3,096	2,996	3,042	3,064	3,102

<sup>1</sup>Reclassified to reflect the account classification adopted in 1986.

Traders Group Limited

QUARTERLY ANALYSIS  
of rate spread and net income (loss)  
by line of business  
(\$ thousands, where applicable)

Quarter	Net rate spread	Net income (loss) <sup>3</sup>							
	Guaranty Trust <sup>1</sup>	Guaranty Trustco Group			Canadian General Insurance Group	Traders Corporate <sup>4</sup>	Minority interest <sup>5</sup>	Total	Per share
		Finance <sup>2</sup>	Trust	Real Estate					
1982									
Q1	0.77%	\$ -	\$ 273	\$ 732	\$(1,612)	\$ 312	\$ (271)	\$ (566)	\$(0.23)
Q2	0.96	-	10	1,161	970	(1,218)	(306)	617	-
Q3	1.09	-	1,024	107	1,239	(970)	(204)	1,196	0.11
Q4	1.39	-	2,487	(998)	1,400	(1,044)	(438)	1,407	0.16
	1.06	-	3,794	1,002	1,997	(2,920)	(1,219)	2,654	0.04
1983									
Q1	1.68	-	1,318	(701)	692	1,267	(288)	2,288	0.33
Q2	1.74	-	1,516	1,923	961	819	(168)	5,051	0.88
Q3	1.93	-	1,704	(163)	192	1,148	(212)	2,669	0.41
Q4	1.82	-	1,969	13	616	58	(232)	2,424	0.36
	1.80	-	6,507	1,072	2,461	3,292	(900)	12,432	1.98
1984									
Q1	1.80	-	1,903	1,031	(463)	1,529	(199)	3,801	0.63
Q2	1.72	-	2,282	(144)	1,543	1,592	(198)	5,075	0.89
Q3	1.66	-	2,411	(103)	(423)	1,347	(194)	3,038	0.48
Q4	1.72	-	2,879	356	(2,993)	2,142	(174)	2,210	0.33
	1.72	-	9,475	1,140	(2,336)	6,610	(765)	14,124	2.33
1985									
Q1	2.00	-	2,630	(260)	(411)	1,444	(192)	3,211	0.52
Q2	2.16	(22)	3,415	636	(265)	1,058	(526)	4,296	0.78
Q3	2.23	1,263	3,788	530	(877)	(551)	(345)	3,808	0.72
Q4	2.35	588	4,922	509	(4,094)	(123)	(502)	1,300	0.18
	2.19	1,829	14,755	1,415	(5,647)	1,828	(1,565)	12,615	2.20
1986									
Q1	2.36	2,113	4,042	(219)	2,122	(652)	(459)	6,947	1.41
Q2	2.30	2,129	3,831	867	1,288	(579)	(713)	6,823	1.39
Q3	2.28	2,039	4,124	558	464	(2,695)	(2,161)	2,329	0.39
Q4	2.35	2,256	6,335	108	(68)	(2,716)	(1,642)	4,273	0.82
	2.32%	\$8,537	\$18,332	\$1,314	\$ 3,806	\$(6,642)	\$(4,975)	\$20,372	\$ 4.01

<sup>1</sup> Average rate earned on loans and securities (excluding fee income) less average rate paid on deposits. Taxable equivalent basis for all periods except for all of 1982, wherein income

tax credits are not available.  
<sup>2</sup> Includes Trans Canada Credit Financial Inc., Trans Canada Credit Realty Limited and Guaranty Trust Company of Canada (U.K.) Limited.

<sup>3</sup> Excludes extraordinary items.  
<sup>4</sup> Previously Traders Finance Group.  
<sup>5</sup> Includes consolidation adjustments and minority interest from all Traders Group subsidiaries.



**Traders Group Limited**  
Summarized Financial Information

**Guaranty Trustco Limited**  
**STATEMENT OF INCOME**  
(\$ thousands)

		Year ended December 31		
		1986	1985 <sup>2</sup>	% Increase (Decrease)
<b>Corporate<sup>1</sup></b>				
<b>Revenue</b>				
	Loan and securities income	\$ 30,049	\$ 6,911	—
	Interest expense	22,999	6,204	—
	Interest spread	7,050	707	—
	Fiduciary fees	669	83	—
		7,719	790	—
<b>Expense</b>		3,306	640	—
	Income before income taxes	4,413	150	—
	Income taxes—current	2,239	124	—
<b>Net corporate income</b>		2,174	26	—
<b>Equity share of net income of subsidiaries</b>				
	Guaranty Trust	18,676	12,130	54
	Trans Canada Credit	6,363	1,803	—
		25,039	13,933	80
<b>Net corporate and equity income</b>		27,213	13,959	95
	Minority interest	4,200	837	—
<b>Net contribution to Traders</b>		<u>\$ 23,013</u>	<u>\$ 13,122</u>	<u>75</u>

**BALANCE SHEET**  
(\$ thousands)

		December 31		
		1986	1985	% Increase (Decrease)
<b>Assets</b>				
	Cash and securities	\$ 2,803	\$ 2,727	3
	Corporate loans	35,437	—	—
		38,240	2,727	—
	Investment in and advances to subsidiaries			
	Guaranty Trust	157,812	142,035	11
	Trans Canada Credit	286,744	174,620	64
	Miscellaneous	2,766	984	—
		<u>\$485,562</u>	<u>\$320,366</u>	<u>52</u>
<b>Liabilities</b>				
	Short and medium term debt	\$232,919	\$174,811	33
	Unearned finance charges	19,065	—	—
		251,984	174,811	44
	Other liabilities	7,895	2,343	—
	Minority interest	52,283	11,434	—
<b>Traders equity investment</b>		173,400	131,778	32
		<u>\$485,562</u>	<u>\$320,366</u>	<u>52</u>

<sup>1</sup> Includes the operating results of Guaranty Trust Company of Canada (U.K.) Limited.

<sup>2</sup> Consolidated net income of Guaranty Trust Company of Canada has been included in the equity share of net income of subsidiaries in 1985 for the eight months subsequent to acquisition by Guaranty Trustco Limited on May 1, 1985.

**Traders Group Limited**  
**Summarized Financial Information**

**Guaranty Trust**  
**STATEMENT OF INCOME**  
(\$ thousands)

		Year ended December 31		
		1986	1985	% Increase (Decrease)
<b>Revenue</b>				
	Loan and securities income	\$ 413,089	\$ 374,733	10
	Fiduciary fees	27,198	26,092	4
		<u>440,287</u>	<u>400,825</u>	<u>10</u>
<b>Expense</b>				
	Interest expense	319,650	291,724	10
	Provision for loan losses	368	3,105	(88)
	Other	97,325	85,483	14
		<u>417,343</u>	<u>380,312</u>	<u>10</u>
	Income before income taxes	22,944	20,513	12
	Income taxes—deferred	4,580	5,799	(21)
<b>Net operating income</b>		<u>18,364</u>	<u>14,714</u>	<u>25</u>
	Other	(32)	41	-
	Net income	<u>18,332</u>	<u>14,755</u>	<u>24</u>
	Equity share of net income of			
	<i>Guaranty Properties</i>	1,284	1,248	3
	<i>Guaranty Realty Investments</i>	30	167	(82)
		<u>19,646</u>	<u>16,170</u>	<u>21</u>
	Minority interest and consolidation adjustments	970	996	(3)
<b>Net contribution</b>		<u>\$ 18,676</u>	<u>\$ 15,174</u>	<u>23</u>
<b>Contribution to</b>				
	Guaranty Trustco	\$ 18,676	\$ 12,130	54
	Traders	-	3,044	-
		<u>\$ 18,676</u>	<u>\$ 15,174</u>	<u>23</u>

**BALANCE SHEET**  
(\$ thousands)

		December 31		
		1986	1985	% Increase (Decrease)
<b>Assets</b>				
	Cash and securities	\$ 834,527	\$ 670,122	25
	Consumer loans	1,852,075	1,490,026	24
	Corporate loans	1,245,661	1,131,080	10
		<u>3,932,263</u>	<u>3,291,228</u>	<u>19</u>
	Other assets			
	Investment in and advances to subsidiaries			
	<i>Guaranty Properties</i>	96,482	92,714	4
	<i>Guaranty Realty Investments</i>	294	264	11
	Miscellaneous	86,346	75,301	15
		<u>\$4,115,385</u>	<u>\$3,459,507</u>	<u>19</u>
<b>Liabilities</b>				
	Deposits	\$3,747,548	\$3,108,630	21
	Unearned finance charges	21,503	23,836	(10)
	Other liabilities	158,855	159,500	-
	Deferred income taxes	17,910	13,330	34
	Minority interest	11,757	12,176	(3)
<b>Guaranty Trustco investment, at equity value</b>		<u>157,812</u>	<u>142,035</u>	<u>11</u>
		<u>\$ 4,115,385</u>	<u>\$ 3,459,507</u>	<u>19</u>



**Traders Group Limited**  
Summarized Financial Information

**Real Estate<sup>1</sup>**  
**STATEMENT OF INCOME**  
(\$ thousands)

		Year ended December 31		
		1986	1985	% Increase (Decrease)
<b>Revenue</b>				
	Property sales	\$104,182	\$ 39,416	-
	Mortgage interest and other	11,414	8,363	36
		<u>115,596</u>	<u>47,779</u>	<u>-</u>
<b>Expense</b>				
	Cost of sales and write downs	100,995	35,127	-
	Interest expense	7,379	6,331	17
	Other	4,418	3,443	28
		<u>112,792</u>	<u>44,901</u>	<u>-</u>
	Income before income taxes	2,804	2,878	(3)
	Income taxes—current and deferred	1,490	1,463	2
		<u>\$ 1,314</u>	<u>\$ 1,415</u>	<u>(7)</u>
<b>Net contribution to Guaranty Trust</b>				

**BALANCE SHEET**  
(\$ thousands)

		December 31		
		1986	1985	% Increase (Decrease)
<b>Assets</b>				
	Cash and securities	\$ 1,046	\$ 1,913	(45)
	Real estate			
	Mortgages on sale of properties	91,244	37,889	-
	Income producing properties	15,911	16,711	(5)
	Income producing properties under development	36,031	37,726	(4)
	Land held for and under development	81,353	134,832	(40)
		<u>224,539</u>	<u>227,158</u>	<u>(1)</u>
	Miscellaneous	5,711	7,835	(27)
		<u>\$231,296</u>	<u>\$236,906</u>	<u>(2)</u>
<b>Liabilities</b>				
	Bank and other loans secured by mortgages	\$ 88,340	\$ 99,809	(11)
	Miscellaneous	20,824	20,188	3
	Deferred income taxes	25,356	23,931	6
	Guaranty Trust equity investment and advances	96,776	92,978	4
		<u>\$ 231,296</u>	<u>\$ 236,906</u>	<u>(2)</u>

<sup>1</sup> Comprises the combined results of Guaranty Properties Limited and Guaranty Realty Investments Limited.

**Traders Group Limited**  
Summarized Financial Information

**Trans Canada Credit<sup>1</sup>**  
**STATEMENT OF INCOME**  
(\$ thousands)

		Year ended December 31		
		1986	1985	% Increase (Decrease)
<b>Revenue</b>				
	Loan and securities income	\$ 77,314	\$ 20,124	—
<b>Expense</b>				
	Interest expense	29,706	7,426	—
	Provision for loan losses	9,358	2,709	—
	Other	25,768	6,525	—
		64,832	16,660	—
	Income before income taxes	12,482	3,464	—
	Income taxes – current	6,119	1,661	—
<b>Net contribution to Guaranty Trustco</b>		<u>\$ 6,363</u>	<u>\$ 1,803</u>	—

**BALANCE SHEET**  
(\$ thousands)

		December 31		
		1986	1985	% Increase (Decrease)
<b>Assets</b>				
	Cash and securities	\$ 8	\$ 72	—
	Personal loans	349,729	199,156	76
	Miscellaneous	755	7,404	(90)
		<u>\$350,492</u>	<u>\$206,632</u>	70
<b>Liabilities</b>				
	Unearned finance charges	\$ 56,026	\$ 30,040	87
	Deferred income taxes	—	48	—
	Other liabilities	7,722	1,924	—
<b>Guaranty Trustco equity investment and advances</b>		<u>286,744</u>	<u>174,620</u>	64
		<u>\$350,492</u>	<u>\$206,632</u>	70

<sup>1</sup> Comprises the combined results of Trans Canada Credit Financial Inc. and Trans Canada Credit Realty Limited. Figures for 1985 include results only for the period since acquisition by Guaranty Trustco Limited.

**Traders Group Limited**  
Summarized Financial Information

**Canadian General Insurance Group**  
**STATEMENT OF INCOME**  
(\$ thousands)

Insurance Group OF INCOME		Year ended December 31		
		1986	1985	% Increase (Decrease)
Gross written premiums		\$ 211,546	\$ 195,692	8
Reinsurance ceded		50,712	44,363	14
Net written premiums		<u>\$ 160,834</u>	<u>\$ 151,329</u>	<u>6</u>
Gross income				
	Net earned premiums	\$ 154,878	\$ 150,313	3
	Investment and other income	20,627	20,529	-
		<u>175,505</u>	<u>170,842</u>	<u>3</u>
	Gain on sale of securities	5,222	3,264	60
		<u>180,727</u>	<u>174,106</u>	<u>3</u>
Expense				
	Claims	122,967	129,684	(5)
	Commissions and premium taxes	26,745	27,318	(2)
	Other	21,116	23,114	(9)
		<u>170,828</u>	<u>180,116</u>	<u>(5)</u>
Net income (loss) before income taxes		9,899	(6,010)	-
	Income taxes—deferred	2,933	(363)	-
Net operating income (loss)		<u>6,966</u>	<u>(5,647)</u>	<u>-</u>
	Provision for discontinued operations	3,160	-	-
	Minority interest and consolidation of adjustments	45	(28)	-
Net contribution to Traders		<u>\$ 3,761</u>	<u>(5,619)</u>	<u>-</u>

**BALANCE SHEET**  
(\$ thousands)

EET		December 31		
		1986	1985	% Increase (Decrease)
<b>Assets</b>				
	Cash and money market instruments	\$ 75,295	\$ 83,268	(10)
	Bonds	97,196	73,558	32
	Stocks	19,371	28,021	(31)
	Mortgages	46,746	25,113	86
		238,608	209,960	14
	Premiums receivable from agents and policyholders	32,058	26,155	23
	Deferred acquisition costs	10,365	9,224	12
	Miscellaneous	18,974	14,796	28
		\$ 300,005	\$ 260,135	15
<b>Liabilities</b>				
	Provision for outstanding losses	\$ 162,586	\$ 139,079	17
	Unearned insurance premiums	67,979	61,385	11
	Provision for policy obligations	13,265	17,946	(26)
	Accounts payable and accrued expenses	11,854	12,053	(2)
	Deferred income taxes	(4,040)	(4,859)	(17)
	Minority interest and consolidation adjustments	8,712	8,666	1
	Traders investment, at equity value	39,649	25,865	53
		\$ 300,005	\$ 260,135	15



**Traders Corporate**  
(Previously Traders Finance Group)  
**STATEMENT OF INCOME**  
(\$ thousands)

**Traders Group Limited**  
Summarized Financial Information

		Year ended December 31		
		1986	1985	% Increase (Decrease)
<b>Corporate Revenue</b>				
	Loan and other income	\$ 18,988	\$ 72,313	(74)
<b>Expense</b>				
	Interest expense and provision for loan losses	17,225	41,428	(58)
	Other	8,018	24,961	(68)
		25,243	66,389	(62)
	Income (loss) before income taxes	(6,255)	5,924	-
	Income taxes—current and deferred	(1,615)	4,096	-
<b>Net corporate operating income (loss)</b>		(4,640)	1,828	-
	Non-recurring debt discharge costs	(2,002)	-	-
<b>Net corporate income (loss)</b>		(6,642)	1,828	-
<b>Equity share of net income (loss) of subsidiaries</b>				
	Guaranty Trustco	23,013	13,122	75
	Guaranty Trust	-	3,044	-
	Canadian General Insurance	3,761	(5,619)	-
		26,774	10,547	-
<b>Net corporate and equity income</b>		20,132	12,375	63
	Minority interest and consolidation adjustments	(240)	(240)	-
<b>Net income before extraordinary items</b>		20,372	12,615	61
	Extraordinary items:			
	Gain resulting from issue of common shares by Guaranty Trustco	24,254	-	-
	Net gain on sale of the Corporation's head office premises	4,718	-	-
		28,972	-	-
<b>Net income</b>		<u>\$ 49,344</u>	<u>\$ 12,615</u>	<u>-</u>

**BALANCE SHEET**  
(\$ thousands)

		December 31		
		1986	1985	% Increase (Decrease)
<b>Assets</b>				
	Cash and securities	\$ 12,775	\$ 22,390	(43)
	Finance receivables			
	Consumer	-	133,965	-
	Corporate	11,446	55,252	(79)
	Other	1,088	534	-
		12,534	189,751	(93)
	Investment in subsidiaries			
	Guaranty Trustco	173,400	131,778	32
	Canadian General Insurance	39,649	25,865	53
	Miscellaneous	20,861	15,849	32
		<u>\$259,219</u>	<u>\$385,633</u>	<u>(33)</u>
<b>Liabilities</b>				
	Debt	\$ 42,910	\$176,715	(76)
	Unearned finance charges	1,112	29,245	(96)
	Other liabilities	4,155	5,164	(20)
	Deferred income taxes	4,731	13,771	(66)
<b>Shareholders' equity</b>		206,311	160,738	28
		<u>\$259,219</u>	<u>\$385,633</u>	<u>(33)</u>

**DIRECTORS AND  
COMMITTEES**

**Board of Directors**

**John P. Bassel, Q.C.**  
Partner  
Bassel, Sullivan & Leake  
Barristers & Solicitors  
Toronto, Ontario

**W. John A. Bulman**  
President  
The Bulman Group  
Limited  
Winnipeg, Manitoba

**Irving R. Gerstein**  
President  
Peoples Jewellers  
Limited  
Toronto, Ontario

**Robert G. Graham**  
President and Chief  
Executive Officer  
Inter-City Gas  
Corporation  
Toronto, Ontario

**William A. Heaslip**  
Chairman, President  
and Chief Executive  
Officer  
Grafton Group Limited  
Toronto, Ontario

**Alan R. Marchment,**  
F.C.A.  
President and Chief  
Executive Officer  
Traders Group Limited  
Toronto, Ontario

**Frederic Y. McCutcheon**  
President  
Arachnae Management  
Limited  
Toronto, Ontario

**James W. McCutcheon,**  
Q.C.  
Chairman of the Board  
Traders Group Limited  
Partner  
Shibley, Righton &  
McCutcheon  
Barristers and Solicitors  
Toronto, Ontario

**Committees**

**Audit**  
**Irving R. Gerstein**  
Chairman  
**J.P. Bassel, Q.C.,**  
**W.J.A. Bulman,**

**Function:**  
The Audit Committee  
reviews financial infor-  
mation intended for  
publication, and the  
adequacy thereof, before  
such information is sub-  
mitted to the Board. It  
also reviews, on a contin-  
uing basis, control pro-  
cedures in effect through-  
out the Corporation.

**Pension Plans Trustees**  
**Alan R. Marchment,**  
F.C.A.  
Chairman  
**R.E. Bethell**  
**W.J.A. Bulman**  
**M.A. Hasley**  
**F.Y. McCutcheon**

**Function:**  
The Pension Plans  
Trustees review and  
make recommendations  
with respect to the fund-  
ing of employee pension  
benefits, the selection of  
investment managers  
and funding vehicles, the  
investment return objec-  
tives and the investment  
strategies and perform-  
ance of the Traders and  
subsidiaries pension  
plans.

**Compensation**

**James W. McCutcheon,**  
Q.C.  
Chairman  
**W.J.A. Bulman**  
**I.R. Gerstein**  
**R.G. Graham**  
**A.R. Marchment, F.C.A.**

**Function:**  
The Compensation Com-  
mittee reviews man-  
power planning and the  
performance of manage-  
ment personnel and  
makes recommendations  
to the Board concerning  
executive compensation.

**OFFICERS AND  
SUBSIDIARIES'  
OFFICERS**

**Executive Officers of  
the Corporation**

**Traders Group Limited**  
James W. McCutcheon,  
Q.C.  
Chairman of the Board

Alan R. Marchment,  
F.C.A.  
President and Chief  
Executive Officer

Edwin W. Austin, C.A.  
Senior Vice President,  
Finance and  
Administration

David A. Ogilvie, C.A.  
Vice President and  
Controller

John F. Ellis  
Vice President and  
Secretary

Bonita J. Then  
Vice President and  
Treasurer

Donald R. Brown, Q.C.  
Vice President and  
General Counsel

**Senior Officers of  
Subsidiaries**

**Guaranty Trustco  
Limited**  
James W. McCutcheon,  
Q.C.  
Chairman of the Board

Alan R. Marchment,  
F.C.A.  
President and Chief  
Executive Officer

Edwin W. Austin, C.A.  
Senior Vice President,  
Finance and  
Administration and  
Chief Financial Officer

**Guaranty Trust  
Company of Canada**  
James W. McCutcheon,  
Q.C.  
Chairman of the Board

Alan R. Marchment,  
F.C.A.  
President and Chief  
Executive Officer

E. Wallace Flanagan  
Vice Chairman of the  
Board

Michael A. Hasley  
Executive Vice President

**Senior Vice Presidents**  
Edwin W. Austin, C.A.  
Finance and  
Administration

Rein W. Crecelius  
Consumer Services

William L. Cochrane  
Corporate Services

**Guaranty Properties  
Limited**  
Alan R. Marchment,  
F.C.A.  
Chairman of the Board

**Guaranty Realty  
Investments Limited**  
Alan R. Marchment,  
F.C.A.  
Chairman of the Board

**Guaranty Trust  
Company of Canada  
(U.K.) Limited**  
Alan R. Marchment,  
F.C.A.  
Chairman of the Board

Bryan M. Benitz  
Managing Director  
London, England

**Trans Canada Credit  
Corporation Limited**

**Trans Canada Credit  
Financial Inc.**

**Trans Canada Credit  
Realty Limited**  
Alan R. Marchment,  
F.C.A.  
Chairman of the Board

Garnet H. Greenfield  
President

**Canadian General  
Insurance Group**  
*Canadian General  
Insurance Company*  
*Toronto General  
Insurance Company*

*Traders General  
Insurance Company*  
Frederic Y. McCutcheon  
Chairman of the Board

Robert E. Bethell  
President and Chief  
Executive Officer

**Canadian General Life  
Insurance Company**  
Frederic Y. McCutcheon  
Chairman of the Board

Jack W. Roberts  
President and Chief  
Executive Officer



# CORPORATE INFORMATION

**Head Office**  
625 Church Street  
Toronto, Ontario  
M4Y 2G1  
Telephone (416)  
975-4500

**Auditors**  
Price Waterhouse  
Toronto, Ontario

**Stock Exchange  
Listings**  
(Symbol: TG)  
Toronto Stock Exchange:  
Class A shares,  
Class B common and  
preferred (all classes)  
Vancouver Stock  
Exchange:  
Class A shares,  
Class B common and  
preferred  
(4½%, 10¼%, 7.5%)

**Share Transfer Agents  
and Registrars**  
Guaranty Trust  
Company of Canada  
Halifax, Montreal,  
Toronto, Winnipeg,  
Regina, Edmonton,  
Calgary, Vancouver  
and London, England  
  
Bank of Montreal Trust  
Company  
New York, N. Y.

**Debentures —**  
The Canada Trust  
Company  
Toronto, Ontario

**Employees—Full time**  
Trustco Group 1,863  
Trans Canada Credit 718  
Canadian General  
Insurance Group 585  
Total 3,166

**Subsidiaries**  
Effective % held by  
Traders  
  
**Trustco Group**  
Guaranty Trustco  
Limited 77.4%  
  
Guaranty Trust  
Company of Canada 77.3  
  
Guaranty Properties  
Limited 77.3  
  
Guaranty Realty  
Investments  
Limited 77.3  
  
Guaranty Trust  
Company of Canada  
(U.K.) Limited 77.4  
  
Trans Canada Credit  
Financial Inc. 77.4  
  
Trans Canada Credit  
Realty Limited 77.4

**Finance Group**  
Trans Canada Credit  
Corporation  
Limited 100.0  
  
Traders Finance  
Corporation (1976)  
Limited 100.0

**Insurance Group**  
Canadian General  
Insurance Company 99.4  
  
Toronto General  
Insurance Company 98.9  
  
Traders General  
Insurance Company 99.5  
  
Canadian General  
Life Insurance  
Company 98.1

**Bankers**  
Bank of Montreal  
  
Canadian Imperial Bank  
of Commerce  
  
National Bank of Canada  
  
The Bank of Nova Scotia  
  
The Royal Bank of  
Canada  
  
The Toronto-Dominion  
Bank  
  
**United States of  
America**  
Manufacturers Hanover  
Trust Company  
  
Manufacturers National  
Bank of Detroit

**Annual Meeting**

The Annual Meeting of Shareholders will be held at 11:30 a.m. on Thursday, February 26, 1987 in Toronto in the Ballroom of the Royal York Hotel.

***Comptes de l'exercice***

*Si vous désirez recevoir un exemplaire en français des comptes de l'exercice de Le Groupe Traders Limitée, veuillez vous adresser au service de marketing, Le Group Traders Limitée, 625, rue Church, Toronto (Ontario) M4Y 2G1*

